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AUDITOR-GENERAL
SOUTH AFRICA

The Accounting Officer
Vhembe District Municipality
Private Bag X 5006
THOHOYANDOU
0950



25 February 2010

Reference: 60063REG08/09

Dear Dear Mr. Sigidi

Report of the Auditor-General on the financial statements and performance information of the Vhembe District Municipality for the year ended 30 June 2009

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)
2. In terms of section 121(4) of the MFMA you are required to include the audit report in the Municipality's annual report to be tabled.
3. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant Business Executive Mr. D Strydom of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Business Executive well in advance of the date on which the annual report containing this audit report, will be tabled.


Auditing to build public confidence

6. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

A handwritten signature in black ink, appearing to be 'D Strydom', written over a dotted line.

Business Executive: Limpopo

Enquiries: D Strydom

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REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VHEMBE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Vhembe District Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practices (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Vhembe Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Property, plant and equipment

5. Material unexplained and irreconcilable differences were identified between the reconciliation provided between the fixed asset register and the annual financial statements, as reflected in the tables below:
 - Opening cost balances do not agree to the 2007/8 closing balance per AFS

Description	Balance per reconciliation (FAR)	Balance per AFS	Difference
Cost	R128,575,576	R130,124,892	R1,549,316

- Accumulated depreciation

Description	Balance per recon (FAR)	Balance per AFS	Difference
Accumulated depreciation	R26,398,269	R28,349,080	R1,950,811
Depreciation charge for the year	R9,474,513	R11,430,470	R1,955,957

- Capital work in progress

Description	Balance per recon (FAR)	Balance per AFS	Difference
Closing balance	R331,952,149	R353,211,446	R21,259,297
Opening W.I.P	R73,369,505	R72,544,686	R824,819

- The asset register provided for audit purposes was in an excel format. It was however not password protected and is thus susceptible to unauthorized manipulation. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself that the property, plant and equipment disclosed in this asset register has been recognized in respect of all the property plant and equipment that is currently owned by the municipality. Alternative procedures were considered but the municipality's records did not permit it.
- Included in the fixed assets register are damaged assets which should have been scrapped and disposed. The fixed asset register also included assets which could not be physically verified and there were assets which physically existed but were not included in the fixed assets register. Sufficient and appropriate audit evidence could not be provided for these differences. Alternative procedures were considered but the municipality's records did not permit it.
- During my audit of property, plant and equipment, I noted that the asset register was not categorised per class of assets as per the annual financial statements. I was therefore unable to determine if the assets were allocated to the correct asset category and recorded at the correct amount. Alternative procedures were considered but the municipality's records did not permit it.
- An asset register downloaded from the Syspro Asset Management System which reconciles to the excel asset register was not provided for audit purposes. Consequently I was unable to determine if the information provided in the excel FAR reconciled back to the information on the Syspro Asset Management System. The municipality's records did not permit the application of alternative procedures.
- Read-only access to the Syspro Asset Management System to view the asset register was not granted for audit purposes resulting in a limitation of scope thereby not allowing me to execute alternative procedures.
- Some assets recognised in the FAR exceed their useful lives and are still in use. However, their useful life had not been reassessed in light of the fact that the assets were still in use and the municipality is still enjoying the benefits from those assets. I was unable to confirm whether the transactions were recognised at the correct useful lives in accordance with the prescribed accounting policy. Alternative procedures could not be performed.
- Completed current and prior year capital work-in-progress projects were not capitalised during the year and as a result depreciation has not been provided on these projects.

The District Municipality does not have systems in place to account and track progress on the state of completion of the projects.

- Supporting documentation to determine the value of the fixed assets and capital work-in-progress additions amounting to R85,3 million was not provided for audit purposes, resulting in a limitation of scope thereby not allowing me to execute other alternative procedures.

Accumulated surplus

6. GRAP 3 'Accounting Policies, Changes in Accounting Estimates and Errors' requires that a change in accounting policy is applied retrospectively and the entity shall adjust the opening balance of each affected component of net assets for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
7. During my review of the application of GRAP 3, I noted that management processed the full cumulative accumulated depreciation relating to the previous financial years in the 30 June 2008 financial year instead of splitting the depreciation charge for financial year ended 30 June 2008 and adjusting the remaining full cumulative accumulated depreciation to the opening accumulated surplus.

Government grants and subsidies

8. During my audit of government grants and subsidies, I noted that the conditional grants were not classified as either capital or income in nature as required by GAMAP 9. As a result unspent grants were understated and revenue overstated by R168,9 million.
9. The district municipality did not recognise revenue in profit or loss on a systematic basis over the periods in which the entity recognised as expenses the related costs for which the grants were intended to compensate.

Revenue

10. The District Municipality entered into a service level agreement with Musina Local Municipality on 15 January 2009. In terms of the agreement Musina would provide water services in its area on behalf of the district. The legality of the agreement is, however, in dispute and I have been unable to obtain sufficient appropriate audit evidence to audit the provision of water services in the Musina area and the impact thereof on the financial statements of Vhembe District Municipality.

Trade and other receivables

11. The District municipality has provided for local municipality receivable balances from 120 days+ to the value of R7 million and excluded current to 90 days balances to the value of R3 million. The local municipalities have not paid any of the outstanding amounts for bulk water for the whole year in 2008/09 and there is no evidence of recoverability of the amounts in current to 90 days categories.

Trade and other payables

12. During my audit of accounts payables, I noted the following issues with regards to supplier's statement reconciliation as at 30 June 2009 submitted for audit purposes:
 - Invoices amounting to R5,2 million were not accrued for at the year-end but goods and services had been received by year-end.

- Invoices amounting to R2,8 million with some dating as far back as 30 June 2008 appear on the supplier statements but not in the suppliers' ledger account as at 30 June 2009.
 - Invoices amounting to R836 346 were indicated as accrued for on the supplier's statement reconciliation but do not appear on the list of accruals as at 30 June 2009.
13. An unexplained difference of R3,6 million in respect of the accounts payables balance per the trial balance and the financial statements has been identified.
 14. Suppliers' invoices amounting to R2,6 million (VAT exclusive) relating to the 2009/10 financial year but has been accrued for incorrectly in the 2008/09 financial year.
 15. Accruals amounting to R11,5 million were erroneously captured inclusive of VAT under sundry payables.
 16. During my audit of retention payables, I noted that certain projects had their retentions amounting to R3, 6 million withheld for payments in the 2008/09 financial year but they had been declared complete by the technical department.
 17. No supporting documentation was provided for audit purposes to validate the salary suspense water account balance of R1 million as at 30 June 2009. I am unable to determine the correctness of this account as well as determining whether all the amounts have been accounted for in this balance.
 18. Supplier's statement reconciliations were not performed at year-end and I am unable to verify if the entire amount of R100,9 million, collected is complete and whether the correct amounts have been disclosed. Alternative procedures were considered but the municipality's records did not permit it.

Bank and cash

19. Included in the balance sheet as at 30 June 2009 is a cash book balance amounting to R105,7 million. I was unable to satisfy myself with the amount disclosed has been accounted for correctly, that the amount recorded is correct and that the entire amount received/paid has been accounted for.
20. GRAP 2 requires that cash flows from operating activities be reported using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed. The cash flows of the municipality has however been reported using the indirect method, whereby net surplus or deficit is adjusted for the effects of transactions. This has been eliminated from GRAP 2 to ensure consistency of preparation.
21. Upon my follow up review of resolutions of prior year issues, I noted that the bank reconciliations from March 2008 to June 2008 were not re-performed to correct prior year errors relating to cheques appearing as reconciling items that had cleared in March 2008. The closing bank reconciliation as at 30 June 2009 is incorrect as the errors were carried forward in the opening balance.
22. The volumes of journals posted through the cashbook remains high with a value of R48,2 million being posted during the 2008/09 financial year and R28,2 million being posted in the month of June 2008 alone.
23. Reconciling items relating to transactions that should have been posted to the cashbook before the reconciliation was performed with some dating back to the prior financial year.

Provisions

24. During my audit of provisions, I noted that the provision for legal claim is overstated by R6,7 million as the liability was settled out of court and payment was made for R674,097 but the provision is still being disclosed at a value of R7,3 million.
25. The completeness, accuracy and validity of the leave accrued could not be verified because the schedule used to calculate and accrue for leave pay for the Municipality did not include opening leave days balances for 173 employees carried forward from the previous financial year thereby resulting in a limitation of scope.
26. The leave pay accrual payroll reports which shows leave days due to employees and annual remuneration summary report as at 30 June 2009 was not provided for audit in order to validate the leave pay accrual at the year-end thereby resulting in a limitation of scope.

Disclosures

27. The following variances on disclosures in the financial statements for the 2008/09 financial year-end were noted:

- **Cash and cash equivalents**

	2009	2008
Cash equivalents per statement of Financial position	R372,269,629	R514,336,931
Cash and cash per note 6 breakdown of cash accounts	R372,257,982	R314,403,165
Difference	R11,647	R199,933,766

- **Remuneration of councillors**

	2009	2008
Balance per statement of financial performance	(R6,143,235)	(R6,748,152)
Balance per note 25	(R6,876,052)	(R6,748,137)
Difference	R732,817	R15

28. The disclosure note "8" for provisions did not comply with GRAP requirements as the following have not been disclosed:
 - A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.
 - An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 61 of GRAP 19.
 - The note 8 also includes a balance of R12,3 million for leave pay accrual which has been disclosed under trade and other payables on the face of statement of financial position.
29. The performance bonus provision is incorrectly disclosed under trade and other payables instead of provisions in the financial statements. Payables are overstated and provisions are understated by R613 065.

30. During my review of accounts receivable disclosures, I noted that the statement of financial position had it disclosed in three separate lines on the face of the statement of financial position instead of one line on the face of the financial statements and a detailed note which shows the breakdown of the account balance. This is non-compliance with GRAP 1 "Presentation of financial statements".

Description	Amount
Other receivable	R1,606,358
VAT Receivables	R63,012,006
Consumer debtors	R2,912,844
Total receivables	R67,531 208

Leases

31. During my audit of leased assets, I noted that there was no prior year restatement of the figures on the financial statements as required. This is in contravention with the GRAP 13.
32. During my review of the financial statements, I noted that note '20' for operating leases did not comply with the requirements of GRAP 13 "Leases" which states that the lessee shall make the following disclosures for operating leases:
- the total of future minimum lease payments under non-cancellable
 - operating leases for each of the following periods:
 - not later than one year,
 - later than one year and not later than five years, and
 - later than five years.

Commitments

33. Note 28 to the financial statements does not include an amount of R3,5 million that relates to operating lease accruals. This resulted in the understatement of Commitments.

Fruitless and wasteful expenditure

34. During the financial year management appointed accounting consultants to assist with GRAP implementation, compilation of annual financial statements and financial statement support. Per the terms of reference, the consulting firm undertook to provide the municipality with a GRAP compliant set of financial statements and an asset register on an asset management system which would be interfaced with the accounting system (Promis). The above undertakings have not been delivered to the Municipality despite payment for services rendered in this financial area amounting to R6, 8 million.

Irregular expenditure

35. During my review of expenditure incurred in respect of supply chain management, I noted that transactions incurred to the amount of R6,5 million were in contravention with the supply chain management regulations and are thus classified as irregular expenditure in terms of the MFMA. The municipality's records did not permit the application of alternate audit procedures to determine the best estimated full extent of irregular expenditure due to the system not being able to provide detail information.

Disclaimer of opinion

36. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matter

I draw attention to the following matters:

Restatement of corresponding figures

37. As disclosed in note 18 "Changes in accounting policy" to the financial statements, the corresponding figures for the year ended 30 June 2009 have been restated as a result of changes in accounting policies implemented during the current financial year in the financial statements of Vhembe District Municipality at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

38. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 Presentation of Financial Statements. The supplementary budget and segmental information set out on pages xx to xx does not form part of the financial statements.

Non-compliance with applicable legislation**Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998)**

39. The municipality did not comply with Section 88(1) of the Structures Act regulating the cooperation of the district and its local municipalities.

Municipal Finance Management Act

40. The district municipality did not submit the 2007/08 annual report as required by the MFMA.

41. The district municipality did not submit the annual financial statements on the 31 August 2009 as required by MFMA.

42. The district municipality did not pay suppliers within 30 days as required by the MFMA.

43. In terms of section 64 paragraph (g) - Revenue Management- of the Municipal Finance Management Act of 2003, the municipality should accrue for interest on all outstanding debtors unless the council has granted exemptions. Upon my review of accounts receivables balances, I noted that the district municipality did not charge interest on overdue balances.

Supply chain management

44. During my audit of supply chain management processes, I noted that the municipality did not comply with paragraph 14 of its SCM policy as the municipality was using the

2007/2008 list of accredited prospective providers and some of the suppliers used during the year under review were not in the 2007/2008 list

Governance framework

45. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

46. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the district municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component

Par. no.	Basis for qualification of opinion	CE	RA	CA	IC	M
5	Property, plant and equipment	1-7		1-5	1-3	1-3
6-7	Accumulated surplus		1-3	1-5		1-3
8-9	Government grants and subsidies		1-3	1-5	1-3	1-3
10	Revenue			1-5	1-3	1-3
11	Trade and other receivables			1-5		1-3
12-18	Trade and other payables	1-7		1-5		1-3
19-23	Bank and cash		1-3	1-5	1-3	1-3
24-26	Provision	1-7		1-5		1-3
27-30	Disclosure			1-5		1-3
31-32	Leases			1-5		1-3
33	Commitments			1-5		1-3
34	Fruitless and wasteful expenditure	1-7		1-5	1-3	1-3
35	Irregular expenditure	1-7		1-5	1-3	1-3

47. Based on the evaluation of the applicable internal control deficiencies within the district municipality it can be concluded that the overall governance framework is not effective and sufficient as the municipality did not have the required control activities to implement and maintain financial management over the municipality.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and	3

supervision of personnel.	
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

48. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the		✓

No.	Matter	Y	N
	auditor's report.		
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines i.e. section 126 of the MFMA.		✓
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The district municipality had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The district municipality had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.	✓	
12.	Powers and duties have been assigned, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Vhembe Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.		✓
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

49. The accounting officer appointed a consultant to convert and compile the financial statements from IMFO to GRAP .

50. Management did not assess the effectiveness of the design and the implementation of internal control in respect of financial management.

51. Effective action plans were not in place to address all the prior period findings.

52. The information systems were not appropriate to facilitate the preparation of the financial statements. My audit revealed inconsistencies between the financial statements, general ledger and the supporting schedules as reported in the basis for Disclaimer of Opinion paragraphs.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

53. I have reviewed the performance information as set out in pages ~~xx to xx~~.

Responsibility of the accounting officer for the performance information

54. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

55. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
56. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
57. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Performance information not received in time

58. An assessment could not be performed of the reliability of the reported performance information, as set out on pages xx to xx of the annual report, since the information was not received in time for audit purposes.

Non-compliance with regulatory requirements

Content of annual performance report

59. The entity has not reported in the current year, the comparison of its current year performance target with that of the prior year as required by section 46 (1) (b) of the Municipal Systems Act. The Act requires the Annual Performance Report to show a comparison of the performance for the year with the targets set for the previous year's performance.

Lack of effective, efficient and transparent systems and internal controls regarding performance management

60. The Accounting Officer of the municipal entity did not by 20 January 2009 assess the performance of the entity during the first half of the financial year, taking into account the targets set in the service delivery agreement and business plan as required by section 88 of the Municipal Finance Management Act.

61. The accounting officer did not ensure that the entity had and maintained an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organized and managed during the 2008/09 financial year.

Inconsistently reported performance information

62. Paragraph 5.2.2.1 of the Performance Management Guidelines requires that where performance targets have not been achieved, reasons for not achieving the targets should be provided. During our audit of the performance report, we noted that reasons for not achieving the targets were not included and it also does not include the actions that will be taken to improve performance.

APPRECIATION

63. The assistance rendered by the staff of the Vhembe District Municipality during the audit is sincerely appreciated.

Auditor - General

Polokwane

25 February 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence